attorneys' fees, seeking to present evidence of inequitable conduct to demonstrate that fees should be awarded. See, *e.g.*, *Lighting World, Inc.* v. *Birchwood Lighting, Inc.*, 382 F.3d 1354, 1366-67 (Fed. Cir. 2004). In neither case does the jury verdict on infringement – even if final and unappealable – render moot the prevailing party's claim for attorneys' fees based on inequitable conduct.

Thus, Solo Cup does not disagree with Fort James's repetition and citation of the established rules of mootness, including that declaratory judgment jurisdiction requires a live controversy at "all stages of review," Pet. 6, 8, and that cases can be mooted "due to actions or events that occur" after judgment is rendered, *id.* at 6-8. The Federal Circuit decision, however, violates none of these rules. The jury verdict of noninfringement followed by Fort James's covenant not to sue or appeal eliminated any controversy between the parties about whether the patents had been infringed. The jury verdict and covenant, however, came too late to prevent Solo Cup from incurring injury and damage at Fort James's hands – *i.e.*, Solo Cup had already incurred substantial attorneys' fees based on Fort James's wrongful attempt to enforce a patent that it had obtained through inequitable conduct. Once Solo Cup suffered this injury and loss based on Fort James's wrongful conduct, it was entitled to prove up its counterclaim and obtain coercive relief in the form of an award of damages measured by its fees. Thus, there remains a continuing controversy between the parties based on Fort James's wrongful attempt to enforce a patent obtained through inequitable conduct.

Fort James notes that the Federal Circuit has held that in a patent infringement case, a live controversy requires "the continued apprehension by the counterclaim plaintiff that it [i]s subject to infringement claims by the patentee." Pet. 8 (citing cases). This is indeed the rule where the counterclaim plaintiff seeks only declaratory relief, but is beside the point here. Once a counterclaim plaintiff has no further reasonable

apprehension that it can be sued for infringement (*e.g.*, when a patent expires), a request solely for declaratory relief without any accompanying claim for coercive relief is moot. But where, as here, the counterclaim plaintiff has already suffered an injury and incurred damages based on the patent holder's inequitable conduct, the counterclaim plaintiff is entitled to prove that the patent holder engaged in such conduct and to seek damages in the form of attorneys' fees and costs.

None of the cases cited by Fort James (Pet. 8) involves a counterclaim plaintiff who *prevailed* in a patent infringement case and who *claimed from the outset* that the suit was itself an unlawful attempt to enforce a patent obtained through inequitable conduct imposing damages (in the form of attorneys' fees and costs) on the counterclaim plaintiff. In *Super Sack Manufacturing Corp.* v. *Chase Packaging Corp.*, 57 F.3d 1054 (Fed. Cir. 1995), the Federal Circuit dismissed counterclaims seeking only declaratory relief after the voluntary dismissal of the plaintiff's patent infringement claim. See *id.* at 1058. The same was true in *Intellectual Property Development, Inc.* v. *TCI Cablevision of California, Inc.*, 248 F.3d 1333, 1341 (Fed. Cir. 2001). And, in *Amana Refrigeration Inc.* v. *Quadlux, Inc.*, 172 F.3d 852, 855 (Fed. Cir. 1999), a declaratory judgment action was dismissed when the defendant patent holder responded by filing a declaration covenanting not to sue the plaintiff for infringement of the patent at issue.

In each of these cases, the Federal Circuit correctly recites and embraces the principle that a live controversy must exist at all stages of litigation. Here, however, Solo Cup's counterclaim – filed well before the jury verdict and covenant not to sue or appeal – sought declaratory relief *and* damages incurred as a result of being forced to defend against Fort James's unlawful enforcement of a patent obtained through inequitable conduct. The claim for damages is not mooted by the belated resolution of the infringement controversy.

Fort James also argues that a claim for attorneys' fees does not give life to a case that has become moot. Pet. 13. It is certainly true that, as a general matter, an application for attorneys' fees raises a collateral issue and that a request for fees does not, without more, give rise to a controversy subject to federal court jurisdiction. But, Solo Cup has not simply filed a lawsuit seeking fees. Instead, having prevailed after trial in a patent infringement case, Solo Cup seeks to litigate its previously-filed counterclaim alleging that Fort James unlawfully sought to enforce a patent that it obtained through inequitable conduct, causing substantial damage to Solo Cup including attorneys' fees. In this setting, attorneys' fees are part of the relief to which Solo Cup is entitled as a consequence of Fort James's wrongful conduct, not an independent collateral issue.

Fort James attempts to make it appear that the Federal Circuit determined that this case is not moot solely because Fort James covenanted not to sue or appeal *after* the jury verdict was reached. In fact, however, this case is not moot because Solo Cup was *not* seeking only declaratory relief, but was also seeking coercive relief for injuries suffered as a result of Fort James's unlawful conduct. And, the Federal Circuit has simply recognized what is clearly true – that a live controversy exists between two parties where one alleges that he or she has suffered a legal wrong resulting in compensable damage at the hands of the other. See App. 14a (remanding for determination of both unenforceability on the basis of inequitable conduct *and* request for attorneys' fees pursuant to 35 U.S.C. § 285); *id.* at 14a n.3 (explaining that Fort James's arguments "ignore[] the fact that Solo Cup expressly requested attorney fees as a remedy for its counterclaim and that the parties' pre-trial briefings identified as an issue for trial the question of whether Solo Cup was entitled to such an award pursuant to § 285").

Solo Cup successfully defended against Fort James's claims of patent infringement in a lengthy, expensive trial,

incurring substantial attorneys' fees. Solo Cup, as the prevailing party, is entitled to seek to prove that Fort James engaged in inequitable conduct in obtaining its patents and therefore that this action seeking to enforce those unlawfully obtained patents was an exceptional case justifying an award of attorneys' fees under § 285. Fort James's covenant not to sue or appeal was simply a belated gimmick to abrogate Solo Cup's right to pursue attorneys' fees based on inequitable conduct as a prevailing party in a patent case.

II. THE DECISION BELOW IS WHOLLY CONSISTENT WITH *CARDINAL CHEMICAL*.

Cardinal Chemical Co. v. *Morton International, Inc.*, 508 U.S. 83 (1993), stands for the proposition that a patent infringement case is not moot where the resolution of a discrete controversy about patent infringement does not resolve the entirety of a controversy between the parties. That is precisely the situation here. Although there is no longer a controversy about whether Fort James's patents were infringed, there remains a dispute between the parties concerning whether Fort James's unlawful attempt to enforce a patent obtained through inequitable conduct resulted in damages to Solo Cup, in the form of attorneys' fees and costs. Thus, *Cardinal Chemical* is entirely consistent with the Federal Circuit's decision that there remains a live controversy between the parties here, as a result of damages that had already been incurred by Solo Cup by the time Fort James belatedly filed its covenant not to sue or appeal in an effort to avoid answering for its wrongful conduct.

In *Cardinal Chemical*, this Court held that the affirmance of a finding that a patent was not infringed does not, by itself, require the vacatur of a judgment of patent invalidity. See 508 U.S. at 95-97. Specifically, the Court recognized that a final determination that a patent has not been infringed does not always render counterclaims for unenforceability and invalidity moot. For example, "a company once charged with infringement [is] concerned about *the risk of similar charges*

if it develops and markets similar products in the future." *Id.* at 99-100 (emphasis supplied). As long as there is some risk of a future accusation of infringement, a counterclaim for invalidity is not moot. Thus, the Court explained, a declaratory judgment may be sought to "avoid the threat of a 'scarecrow' patent" used to gain an advantage over a competitor. *Id.* at 95-96, 100.

Here, the effect of litigating Solo Cup's counterclaim would be, first, a determination whether Fort James obtained its patent through inequitable conduct and, second, a determination whether that inequitable conduct entitles Solo Cup to its attorneys' fees pursuant to § 285 for defending against Fort James's wrongful attempt to enforce that patent. This is a dispute between the parties that has not been mooted by Fort James's covenant not to sue or appeal the noninfringement verdict.[2]

Fort James, however, claims that the Federal Circuit misread *Cardinal Chemical* to hold that a jury verdict of noninfringement *never* moots a declaratory judgment counterclaim for invalidity or unenforceability. Pet. 9. This is not what the Federal Circuit said, as is revealed by its citation of *Super Sack* and the *Super Sack* test for determining when the resolution of a patent infringement claim moots the defendant's request for declaratory judgment. App. 12a. Instead, the Federal Circuit focused on the "unique procedural posture of the instant case" (*id.*) and the fact that the infringement "controversy had already been resolved by the jury verdict," precisely because Solo Cup had incurred

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[2] *Cf. In re Skinner & Eddy Corp.*, 265 U.S. 86, 93-94 (1924) ("[T]he usual ground for denying a complainant in equity the right to dismiss his bill without prejudice at his own costs is that the cause has proceeded so far that the defendant is in a position to demand on the pleadings an opportunity to seek affirmative relief and he would be prejudiced by being remitted to a separate action. Having been put to the trouble of getting his counter case properly pleaded and ready, he may insist that the cause proceed to a decree.").

damages by being forced to defend against Fort James's attempt to enforce its inequitably obtained patent. See *id.* at 14a (remanding for determination of inequitable conduct counterclaim *and* request for attorneys' fees pursuant to 35 U.S.C. § 285); *id.* at 14a n.3 (Fort James "ignores the fact that Solo Cup expressly requested attorney fees as a remedy for its counterclaim and that the parties' pre-trial briefings identified as an issue for trial the question of whether Solo Cup was entitled to such an award pursuant to § 285").[3]

This case, accordingly, is akin to *Altvater* v. *Freeman*, 319 U.S. 359 (1943). There, this Court concluded that a decision of noninfringement did not moot a counterclaim alleging patent invalidity, explaining that the counterclaim raised issues that "were justiciable and . . . the controversy between the parties did not come to an end on the dismissal of the bill [of infringement], since their dispute went beyond" the patent claims in the infringement suit. *Id.* at 363-64. Similarly here, because the parties' infringement dispute was litigated to verdict and Solo Cup prevailed, its counterclaim alleging that Fort James's effort to enforce a patent inequitably obtained resulted in damages, specifically attorneys' fees, now requires resolution, as the Federal Circuit correctly held.

III. IN ANY EVENT, THE QUESTION PRESENTED IS NEITHER IMPORTANT NOR RECURRING.

At the end of its Petition, Fort James essentially acknowledges that there is an ongoing controversy between the parties, saying "Solo is not pursuing its unenforceability counterclaim merely for the satisfaction of learning 'who was right.'" Pet. 12. Indeed, Fort James recognizes that if the

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[3] Thus, the Federal Circuit did not "analyze[] the situation as if the covenant [not to sue or appeal] did not exist." Pet. 9. The Federal Circuit simply and correctly recognized that the covenant had no effect on the question presented by Solo Cup's counterclaim: whether Fort James's unlawful attempt to enforce a patent obtained through inequitable conduct had damaged Solo Cup by requiring it to incur attorneys' fees and costs.

allegations in Solo Cup's counterclaim are correct – *viz.*, if Fort James's patent infringement suit unlawfully sought to enforce a patent obtained through inequitable means – then Solo Cup is entitled to recover damages in the form of the attorneys' fees and costs it incurred in defending this suit. *Id.*

In Fort James's view, however, Solo Cup was required to litigate the parties' ongoing controversy about whether Fort James engaged in inequitable conduct warranting an award of attorneys' fees by filing an application for fees under Fed. R. Civ. P. 54, rather than by litigating its counterclaim alleging that the suit sought to enforce an inequitably obtained patent and thereby caused damages including fees.

As an initial matter, this kind of issue – a dispute about the proper procedure for addressing the question of inequitable conduct and attorneys' fees – is not worthy of this Court's review. It does not implicate any fundamental issue with respect to the federal courts' jurisdiction. Indeed, the parties *agree* that there remains a controversy about inequitable conduct and fees and disagree only about how such claims should be managed in the district courts. Thus, the only dispute here is a purely factual one that does not warrant certiorari review.

In any event, the Federal Circuit has addressed inequitable conduct sufficient to warrant attorneys' fees for a prevailing party in two different settings, as set forth *supra* at 6-8. As Fort James points out, the question whether a party engaged in inequitable conduct or other conduct justifying a fee award can be litigated in a post-trial proceeding involving a fee application. See Pet. 12; *Paragon Podiatry Lab.* 984 F.2d at 1188 n.6 (holding of patent invalidity did not moot claim for attorneys' fees based on inequitable conduct); *Cambridge Prods., Ltd.* v. *Penn Nutrients, Inc.*, 962 F.2d 1048, 1050 (Fed. Cir. 1992) (claim for attorneys' fees and costs not mooted by dismissal of underlying case). In addition, the question whether a party engaged in inequitable conduct warranting relief including attorneys' fees may be litigated as

a counterclaim. See *supra* at 6-7. The Federal Circuit's determination that a counterclaim based on inequitable conduct and seeking attorneys' fees remains alive after a patent infringement verdict against the patent holder is entirely correct and reasonable. Indeed, it comports with this Court's recognition of "the importance to the public at large of resolving questions of patent validity" because there is a significant danger that the holders of invalid patents may be awarded improper monopoly privileges as long as the patent's validity is an unsettled question. *Cardinal Chem.*, 508 U.S. at 100-01.

The relevance of the foregoing to this Court, however, is that it confirms that there is no reason that the petition should be granted. Nothing of substance is at stake. All parties and the Federal Circuit agree that once a defendant prevails in patent infringement litigation, that defendant is entitled to litigate the question whether the patent holder engaged in inequitable conduct and, if so, to obtain attorneys' fees under 35 U.S.C. § 285. No one believes or contends that *this* controversy or dispute between the parties is mooted by the jury verdict of noninfringement or the losing party's post-trial covenant not to sue or appeal. Nor is this question likely to recur with any frequency. The question whether a patent holder's inequitable conduct damaged another and thus should give rise to an award of fees is routinely litigated without any jurisdictional issues arising.

Finally, at most, Fort James is challenging the application of this Court's established mootness jurisprudence to a specific factual setting – a setting the Federal Circuit aptly described as "unique," App. 12a. This is not a sufficient ground for this Court to grant review under Supreme Court Rule 10.

CONCLUSION

For the foregoing reasons, this Court should deny the petition for writ of certiorari.

Respectfully submitted,

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No. 05-712

IN THE

Supreme Court of the United States

FORT JAMES CORPORATION,

Petitioner,

v.

SOLO CUP COMPANY,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY TO BRIEF IN OPPOSITION

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CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, petitioner Fort James Corporation states: Fort James Corporation is wholly owned by Georgia-Pacific Corporation, which is wholly owned by Georgia-Pacific Holdings, LLC, which is wholly owned by Georgia-Pacific, LLC, which is wholly owned by Koch Renewable Resources, Inc., which is wholly owned by Koch Industries Inc., a privately held company. Therefore, no public company owns more than 10 percent of the stock of Fort James Corporation or of any parent company.

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INTRODUCTION

The question presented is whether the Federal Circuit erred in holding that the Covenant tendered to Solo by Fort James was ineffective to moot the controversy and extinguish subject matter jurisdiction over Solo's declaratory judgment counterclaim solely because it was tendered *after* the verdict rather than before the verdict. The answer to this question is "yes, the Federal Circuit erred" because jurisdiction must exist at "all stages of review," not just before the verdict. *Preisser v. Newkirk*, 422 U.S. 395, 401 (1975). Contrary to the Federal Circuit's holding, and as recognized by the dissent, the timing of the acts or events that create definitive mootness is simply irrelevant to subject matter jurisdiction.

Solo's opposition attempts to recast *both* the cause of action that the district court dismissed as moot and the Federal Circuit's holding reversing the district court in an effort to avoid review of this central "before vs. after" question. Moreover, as Solo has recast the decision below, district courts not only will be burdened with issuing advisory opinions on claims and counterclaims that have been rendered moot if the acts creating definitive mootness occurred after a verdict, but also will be further burdened by having to issue advisory opinions whenever a party has made a prayer for fees as a part of its request for relief. In essence, events during the litigation could almost never create definitive mootness. Solo's attempt to whitewash over and actually compound the Federal Circuit's jurisdictional error should not prevent this Court from granting *certiorari*, curing the error, and ensuring that district courts are not required to issue advisory opinions on moot issues.

ARGUMENT IN REPLY

I. SOLO DOES NOT ADDRESS THE HOLDING BELOW THAT A COVENANT TENDERED *PRE-VERDICT* MOOTS JURISDICTION WHILE ONE TENDERED *POST-VERDICT* DOES NOT

Denying the obvious, Solo acts as if the Federal Circuit panel majority's opinion has nothing to do with whether Fort James tendered the Covenant before or after the jury verdict, but instead turns on the presence of a phantom additional coercive "claim" for attorneys' fees. Opp. at 10. This flies in the face of the actual Federal Circuit decision which, with laser precision, focused on *when* the Covenant was issued. Petition Appendix ("App.") at 12a-13a. And it will come as a shock to the dissent (to which Solo does not even give a nod), which concluded that "[i]t is true that this case differs from *Super Sack* in that Fort James did not issue its Covenant until after the jury's finding of non-infringement, but I do not think that fact creates or, rather, sustains, the controversy between the parties." App. at 23a-24a.

The holding of the majority opinion below is that an unconditional covenant not to sue, or challenge the verdict on post-trial motions or on appeal, tendered after a verdict of non-infringement does not have the same legal effect on the continuing controversy between the parties as one tendered before a verdict. App. 12a-13a. Because this holding cannot be reconciled with the indisputable principle that Article III of the Constitution and the Declaratory Judgment Act require an actual case or controversy at "all stages of review," *Preisser*, 422 U.S. at 401, it is not surprising that Solo does not defend it.

Putting aside the *opinion* below, the prayer for relief for attorneys' fees does not provide an alternative basis to affirm the *judgment*. Rather, "a claim for attorneys' fees does not

preserve a case that has become moot on appeal." *United States v. Ford*, 650 F.2d 1141, 1143 (9th Cir. 1981) (citing *Wash. Mkt. Co. v. District of Columbia*, 137 U.S. 62 (1890)); *see also Budinich v. Becton Dickinson & Co.*, 486 U.S. 196, 200-01 (1988); *Sprague v. Ticonic Nat'l Bank*, 307 U.S. 161, 170 (1939); *Horne v. Firemen's Ret. Sys.*, 69 F.3d 233, 236 (8th Cir. 1995). But under Solo's view, once the first dollar in fees accrues, the existence of a prayer for attorneys' fees in any case would *always* prevent a declaratory judgment claim from becoming moot based on *any* events during a litigation, *no matter when* the events occurred. Such a result would further burden our district and circuit courts.

II. THIS CASE INVOLVED SOLO'S CLAIM FOR A DECLARATION THAT FORT JAMES'S PATENT IS UNENFORCEABLE, AND NOTHING MORE

The district court properly dismissed Solo's counterclaim for "a declaratory judgment of patent unenforceability" of Fort James's patent, which Solo expressly made under the Declaratory Judgment Act. 28 U.S.C. § 2201. Federal Circuit App. ("A.") at 242. And the Federal Circuit majority explains quite plainly in the first few lines of its opinion that this case involved Solo's appeal "from a post-trial order of the district court that dismissed for lack of jurisdiction its counterclaim for a declaration of unenforceability." App. at 1a. Despite this, Solo variously argues in opposition that the ruling involved a "counterclaim for attorneys' fees based on inequitable conduct," a "claim of inequitable conduct," and a claim for "coercive relief" for "damages" in the form of attorneys' fees. Opp. at 1-2, 8-9. This is a red herring. There were no such claims or counterclaims, and certainly none were at issue on appeal.

Solo further presents the issue as involving a counterclaim alleging Fort James' unlawful *enforcement* of a patent obtained through inequitable conduct. Opp. at i. But

Solo made no such claims made under *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 174 (1965) ("*enforcement* of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act") (emphasis added).[1] The only connection between *enforcement* and Solo's declaratory judgment counterclaim is that ongoing enforcement or threat of enforcement is necessary to sustain jurisdiction, an element now missing. Seeking a declaration that a patent is unenforceable is not the same as seeking damages for unlawful enforcement of the same patent. *MedImmune, Inc. v. Genentech, Inc.*, 427 F.3d 958, 967-69 (Fed. Cir. 2005), *cert. granted on separate issue*, 74 U.S.L.W. 3457 (U.S. Feb. 21, 2006) (No. 05-608).

To be sure, Solo's prayer for relief included a request for attorneys' fees under 35 U.S.C. § 285, Opp. at 2, the statutory exception to the "American Rule" in patent cases. Under § 285, a prevailing party in a patent case may seek recovery of attorneys' fees in "exceptional" cases.[2] One factor that *may* support a district court's finding that a case is exceptional is if the patent was obtained through inequitable conduct. *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582 (Fed. Cir. 1985). Even in such cases, however, an award of fees is not automatic and Solo misstates the law when it argues that a finding of inequitable

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1 Even if there were, attorneys' fees are recoverable not as antitrust damages, but rather—as in the Patent Act and other federal statutes—under specific statutory provisions authorizing recovery of attorneys' fees. *See* 15 U.S.C. §§ 15(a), 26.

2 Here, the jury returned a "tie" verdict finding the patent not infringed but valid. Thus, the legal relationship between the parties did not change and neither party is the prevailing party. *Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1182 (Fed. Cir. 1996).

conduct provides a "statutory entitlement," Opp. at 1, to attorneys' fees. *Id.* ("even though inequitable conduct before the PTO is found, fees may be refused to the prevailing party").

Thus, while Solo sought a declaration of unenforceability *based on* inequitable conduct, and in principle a motion for attorneys' fees made under § 285 may be *based on* inequitable conduct, this factual overlap does not merge the two. The only judgment of the district court on appeal is the dismissal of Solo's counterclaim for a declaration that the patent is unenforceable. Solo's appeal to the Federal Circuit was not from a denial of attorneys' fees—the district court did not deny Solo attorneys' fees because Solo did not move for them—and, accordingly, the issue was not and is not presented.

Solo attempts to distinguish the prior Federal Circuit decisions in *Super Sack Manufacturing Corp. v. Chase Packaging Corp.*, 57 F.3d 1054 (Fed. Cir. 1995), and *Intellectual Property Development, Inc. v. TCI Cablevision of California. Inc.*, 248 F.3d 1333 (Fed. Cir. 2001), on the basis that those cases involved requests solely for declaratory relief "without any accompanying claim for coercive relief." Opp. at 9. In fact, in *Super Sack* the defendant had pled a counterclaim that the case was exceptional and had included in its prayer for relief a request for attorneys' fees. And the defendant in *Intellectual Property Development* had pled a counterclaim of unenforceability and had included in its prayer for relief a determination that the case was exceptional and an award of attorneys' fees.[3] Solo's opposition thus

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[3] Relevant pleadings from these two cases may be found in the Federal Circuit record at pages SA13-29 of Fort James's Supplemental Appendix.